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SUMMARY RECORD OF THE 8th MEETING

Chairman: Mr. MUNTASSER (Libyan Arab Jamahiriya)

Chairman of the Advisory Committee on Administrative and Budgetary Questions: Mr. MSELLE

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AGENDA ITEM 104: FINANCIAL REPORTS AND AUDITED FINANCIAL STATEMENTS, AND REPORTS OF THE BOARD OF AUDITORS (continued)

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The meeting was called to order at 10.20 a.m.

AGENDA ITEM 104: FINANCIAL REPORTS AND AUDITED FINANCIAL STATEMENTS, AND REPORTS OF THE BOARD OF AUDITORS (continued) (A/46/5 and Add.1, Add.3-5 and Add.7, A/46/298, 299, 404 and 510)

1. Mr. MILES (Director, New York Liaison Office of the United Nations Relief and Works Agency for Palestine Refugees in the Near East) said that the United Nations Relief and Works Agency for Palestine Refugees in the Near East (UNRWA) valued the whole audit process, for the evaluations and constructive criticism provided by the Board of Auditors, the Advisory Committee on Administrative and Budgetary Questions (ACABQ) and the Fifth Committee could only be beneficial. If the Agency satisfied those bodies it could more easily maintain the confidence of donors, without whose support it could not do its work. The new Commissioner-General of UNRWA had assumed his responsibilities only in March 1991 - after the period covered by the audit report. He would nevertheless do everything he could to cooperate with the Committee now and in the future.

2. The issue which seemed to have caused deepest concern was the case described in paragraphs 78 to 81 of the Board's report (A/46/5/Add.3) concerning the payment of separation benefits to a staff member in whom the Agency had "lost confidence", although it could not, for considerations of confidentiality, set out its reasons. In the light of the comments of the Board, ACABQ and the Committee, the Commissioner-General was now prepared to make a full disclosure of all information to the Board.

3. The representatives of China, India, the Netherlands, Pakistan and Singapore had endorsed the Board's recommendation that the large amounts of "idle cash" should be placed on higher-yielding time deposits. The Agency's position was outlined in paragraphs 64 to 66 of the report; the issue was a matter of judgement and would be discussed further with the auditors. The term "idle cash" was, however, misleading. It was clear from paragraph 61 of the report, which gave details of the Agency's bank accounts, that all the cash was in fact earning interest.

4. UNRWA had high hopes for its Gaza self-support programme (paras. 88 to 92 of the report) and therefore welcomed the suggestions made by the Board and by the representatives of India and the Netherlands. It would also comply with the recommendation made by the Board in paragraph 59, which was supported by the representative of China, concerning disclosure of outstanding pledges. As most delegations had urged, UNRWA would try to implement the recommendations summarized in paragraph 6 of the Board's report. It had also noted the summary of findings contained in paragraphs 7 to 24; where necessary or possible, remedial action was already under way. With regard to the employment of consultants, in addition to the corrective action referred to in paragraph 73, the Commissioner-General had decided that the Agency would no longer engage management consultants and that consultancies would be restricted to technical matters.

(Mr. Miles)

5. In annex I of its report, concerning follow-up on actions taken on previous audit recommendations, the Board noted that the Agency had instituted measures in line with each of the five recommendations on the Area Staff Provident Fund. That positive response by the Agency was indicative of the cooperative spirit existing between it and the Board, a spirit which would continue as long as the common aim was to maximize the services which the Agency could provide to the Palestine refugees.

6. Mr. SPAANS (Netherlands), speaking on behalf of the Twelve States members of the European Community, said that at an earlier meeting he had put a specific question relating to paragraph 22 of resolution 45/235, which recommended that all future reports of the Board should include a summary of recommendations for corrective action with an indication of relative urgency and a timetable for remedial action. He would be grateful if the representative of UNRWA could address that point.

7. Mr. MILES (Director, New York Liaison Office of the United Nations Relief and Works Agency for Palestine Refugees in the Near East) said that it was not clear whether the resolution referred to recommendations in the report for 1990 or for 1991. Remedial action had already been taken on all the recommendations contained in the 1990 report, and many of the 1991 recommendations were already being implemented. Without referring back to UNRWA headquarters, he could not comment on the timing of other remedial action. He would refer back if necessary but hoped that the responses given in his statement would be sufficient.

8. Mr. NASSER (Egypt) said that resolution 45/235 must be referring to recommendations made in the previous year's report. Otherwise the result would be that the Board could control the activities of organizations and programmes without reference to the General Assembly. That was a serious matter which the Committee should consider. He hoped that the Secretariat could clarify the meaning of the resolution.

9. Mr. SPAANS (Netherlands) said that the resolution appeared to be calling for a timetable for remedial action with respect to the recommendations made in the 1991 report. Since the Committee accepted the Board's recommendations only after discussing them and holding an exchange of views with the organization concerned, there was no question of short-circuiting the General Assembly. In the present case, the Community would be grateful for any further information which UNRWA could provide.

10. Mr. FORAN (Acting Under-Secretary-General for Administration and Management) pointed out that the resolution referred to "all future reports" of the Board with regard to the timetable for remedial action. There would clearly have to be close cooperation between the Board and the organizations which it audited, and he would bring the matter to their attention.

11. Mr. SPAANS (Netherlands) asked whether the Acting Under-Secretary-General was saying that the audited organizations had so far not made any effort, together with the Board, to produce timetables for remedial action. If that was the case, his delegacion would welcome information about the reasons why.

12. Mr. FORAN (Acting Under-Secretary-General for Administration and Management) said that he had no information about individual cases. His point was that the additional input in future reports would have to be coordinated by the Board and the organizations concerned.

13. Mr. DOO KINGUE (Executive Director, United Nations Institute for Training and Research) said that the United Nations Institute for Training and Research (UNITAR) was experiencing a financial crisis which mainly affected its General Fund, in other words the budget which financed the activities from which all Governments benefited. Despite the substantial cut in that budget following the restructuring of UNITAR in 1986 and 1987, funding from voluntary contributions was still inadequate. In 1983 the budget had been twice as large as it now was, and the Institute's staff had been cut by 79 per cent between 1981 and 1989. Nevertheless, every year a large number of nationals of Member States received training, the number of persons attending courses having risen by 70 per cent between 1986-1988 and 1988-1990. In other words, the problem was not a lack of interest in UNITAR activities. Some of the greatest beneficiaries of the training programmes were countries which made no contribution to the General Fund: nationals of 140 countries attended the courses, but only 29 Governments had made or promised voluntary contributions for activities financed during the past year.

14. Since the Institute's problems were described in a report of the Secretary-General which the General Assembly was to take up in a few weeks' time, he would not go into all the details. He would, however, respond to two specific points raised by delegations concerning the UNITAR building. First, pending sale of the building, action had been taken to rent the unused space and the whole of the fourth floor had been rented by the United Nations Secretariat since early summer. Second, the efforts to sell the building at a reasonable price had so far been unsuccessful; the details of those efforts would appear in the Secretary-General's report.

15. As the General Assembly had requested in 1989, the auditors had been invited by the UNITAR Board of Trustees to participate in the discussion of their report. The Board of Auditors had noted in its report that the necessary action had been taken to ensure follow-up of its recommendations. The Board of Trustees of UNITAR remained determined to carry out all of the auditors' recommendations.

16. Mr. ROMERO-PEREZ (Deputy Regional Representative, Office of the United Nations High Commissioner for Refugees) said that 1991 marked the fortieth anniversary of the Office of the United Nations High Commissioner for Refugees (UNHCR) and had been the most difficult year in its history. The challenge of the events in the Middle East and Africa had been matched by the response from the donor community, which had enabled UNHCR to carry out its refugee mandate. Donor contributions were an indication of support for the Office's work and recognition of the improvements made in the assistance rendered to refugees.

17. Several delegations had commented on the question of unliquidated obligations. UNHCR maintained a constant dialogue on that issue with Governments and its implementing partners, but sometimes the results were unsatisfactory. It would continue to try to solve the problem.

18. The representatives of Japan and China had raised the question of the confiscation of UNHCR supplies by a host country. The Office had made an approach to the Foreign Ministry and the Interior Ministry of the country concerned, which had undertaken to secure return of the supplies. They had not so far succeeded, but UNHCR did not think that it was yet necessary to seek the assistance of the Legal Counsel. In the meantime bonded warehouses were being used as a preventive measure.

19. The representatives of the United States, Japan, Bangladesh and Singapore had called for action to correct the mismanagement and misappropriation of resources in the field offices. Two staff members had in fact been dismissed, and $US 2,800 of the sum referred to in paragraph 12 (a) of the Board's report (A/46/5/Add.5) had been recovered. That case had been taken before the Administrative Tribunal by the staff member concerned. The case referred to in paragraph 12 (b) had been taken to court, and UNHCR had made it clear that it held the implementing partner concerned responsible for the misappropriated funds.

20. UNHCR would report separately on any trust fund with a favourable balance of $US 500,000 and above, as recommended by the Board in paragraph 7 (c). The problem was not one of accounting but of reporting. With regard to management shortcomings in general, it was not a question of establishing new mechanisms but of enforcing the existing ones - something which was often difficult in emergency situations. UNHCR would describe in its regular report to the Board in April 1992 the action taken to strengthen its management procedures. The April report would also deal with the question of a timetable for remedial action raised by the representative of the Netherlands.

21. Mr. GOMEZ (Associate Administrator, United Nations Development Programme), commenting on the matters addressed by ACABQ in its report (A/46/510), in the first place the concern that had been expressed, and reiterated by several members of the Committee, about the qualification of UNDP's accounts owing to the late submission of audit certificates by executing agencies, said that the issue had been, and was being, discussed with the agencies on an ongoing basis. The change to a biennial audit,

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however, would not in itself resolve the problem, as ACABQ had hoped. As had been explained at the June 1991 session of the UNDP Governing Council, the problem stemmed from the very complex nature of the UNDP programme and its implementation. The short time-frame provided for the closure and auditing of accounts, together with the fact that the existing systems could not cope with the volume of activity, made it highly unlikely that the audit qualification would be removed in the next few years. Furthermore, as the Chairman of the Board of Auditors had indicated, UNDP could not solve the problem on its own through changes in existing procedures. It must be solved jointly by UNDP and the executing agencies through the development of new systems and procedures, both of which must also be acceptable to the external auditors and to the governing bodies of the agencies concerned. He stressed that there had never been a significant difference between the information submitted for audit by the agencies, which was included in the UNDP accounts, and the agencies' final audited statements. He assured the Committee that UNDP would continue to make every effort to resolve the issue as soon as possible, and regretted that it was not possible to provide a time-frame for compliance. Although UNDP was moving towards the automation of accounting input by installing computers in field offices, not all computer systems in the United Nations system were as yet compatible, so that additional efforts, if not resources, would be needed to enable the agencies to take advantage of the work of UNDP in that area.

22. The Advisory Committee and a number of members of the Fifth Committee had commented on the issue of agency accountability. Most comments had focused on the need to revise or complete Standard Basic Executing Agency Agreement (SBEAA), but there was a second aspect which needed to be addressed even before such agreements were completed. At the September 1991 session of the Consultative Committee on Administrative Questions (Financial and Budgetary Questions) (CCAQ (FB)), a copy of the relevant portion of the interim report of the Board of Auditors (A/46/5/Add.1, paras. 22-34) had been provided to all executing agencies so that they would be aware of the kind of audits to be completed in the future, with an emphasis on economy, efficiency and effectiveness, and of the need to provide such information to UNDP and its external auditors. The matter would be discussed in depth at the next session of CCAQ (FB), taking into account all the comments of the Fifth Committee, so that action could be taken to put the Committee's wishes into effect as soon as possible regardless of the status of SBEAA.

23. Turning to the status of signatures of SBEAA, he said that agreements were negotiated with the agencies on a one-to-one basis in consultation with their respective legal services and taking into consideration each agency's mandate, organization and methods of work. The problems encountered were different for each agency. In its decision 89/24, the Governing Council had requested the Administrator to enter into negotiations with those executing agencies that had not yet signed the Standard Basic Executing Agency Agreement. Pursuant to that decision, UNDP had successfully negotiated and signed agreements with 11 agencies. Since the appearance of the interim report (A/46/5/Add.1), agreements had been signed with four more agencies, so that only six were still outstanding. Of those, three required only an

exchange of letters since they were subsidiary organs of the United Nations; the others were with the World Health Organization (WHO), the International Labour Organisation (ILO) and the Food and Agriculture Organization of the United Nations (FAO). The SBEAA with WHO was on the verge of being finalized and was expected to be signed shortly. A communication had been received from ILO expressing willingness to negotiate such an agreement, and a positive reply had recently been received from FAO. Thus, all the outstanding agreements should be signed within the next few months. The adequacy of the Standard Basic Executing Agency Agreement in respect of the provision of audit comments to UNDP and its external auditors would continue to be addressed with the Office of Legal Affairs and appropriate action would be taken in the light of the advice of CCAQ (FB).

24. With regard to the comments on the Economists for Africa Programme, he said that UNDP had taken due note of the Board of Auditors' observations, which were basically of an administrative nature. The necessary corrective action was being taken and could be expected to be completed within the next few weeks. On the substantive issue of the programme's relevance and effectiveness and its impact on individual countries, an in-depth review would be carried out by the Central Evaluation Office of UNDP, the results of which would be made available to the Governing Council at its next session.

25. As for the Office for Project Services, UNDP was fully aware of the need for improved project management. It shared the concerns raised by a number of delegations and had already taken steps to address them. The Administrator was in the process of restructuring the Office for Project Services, effective January 1992, with a view to improving project management by rationalizing project portfolios and instituting a more selective project acceptance policy. UNDP was also emphasizing improved quality and responsiveness and placing emphasis on decentralization, the delegation of authority to field offices, and efforts to enhance and streamline internal procedures. A new budget management information system was being developed which, when implemented, would lead to improved financial management. In the meantime, the matter was being kept under close control.

26. The representative of the United States had referred to a lack of action by UNDP on questions raised in previous audits and asked for a specific reply about abuses of programme resources. In response, he noted that the Assistant Administrator, Bureau of Finance and Administration, had, in June 1991, given the Governing Council a detailed account of the procedures to be followed regarding personal responsibility and liability, including an assurance that whistle-blowing would not have a negative impact on a staff member's career within the organization, and of the steps taken to investigate possible fraud in the reimbursement of income tax and in relation to other entitlements, including the education grant. The Administrator and the Assistant Administrator were addressing the matter of personal responsibility, and liability, as required. Currently, only five such cases were under review.

27. As far as the possible abuse of programme resources was concerned, since

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the Governing Council's review, a clear distinction had been drawn between administrative and programme expenditures in UNDP budgetary practice. Programme expenditure was subject to the agreement of three parties: Governments, executing agencies and UNDP itself. Administrative costs were not charged to project expenditure.

28. In conclusion, he said that UNDP took the comments of its internal and external auditors, ACABQ and the members of the Fifth Committee very seriously. Given the nature and complexity of the Programme, those comments were very valuable in enhancing the capacity of its management to ensure that its operations were efficient and effective, and thus to respond to the trust placed in an agency which was entirely funded by voluntary contributions. It would take action on the comments and involve the agencies where appropriate, by bringing items to the attention of their governing bodies and auditors as necessary. The Panel of Auditors could also play a vital role in that process.

29. Mr. RAE (India) said that his delegation was glad to hear that a new system of budget management was to be introduced in the Office of Project Services. It would appreciate an indication of when the new system might be implemented.

30. Mr. MICHALSKI (United States of America), noting that his delegation had raised the question of the implementation of operative paragraphs 13 and 16 of General Assembly resolution 45/235, said he was glad to be reminded that a statement had been made to the Governing Council about the work being done to meet the concerns raised in regard to benefits and tax reimbursement. His delegation would appreciate similar information from the other audited agencies in respect of the steps taken to implement those paragraphs. The resolution did, in fact, require the agencies to report on the matter and his delegation had been concerned that none of the documents before the Committee contained any information in that regard. The statement that would now be on record met his delegation's concern with respect to UNDP.

31. With regard to the possible abuse of programme resources, the information that a clear distinction was being made between administrative and programme expenditures was only an indirect response. The auditors had suggested that there was a "grey area" which could be a source of abuse in UNDP expenditures and his delegation would welcome an assurance that the matter of that "grey area" had been resolved.

32. Mr. SPAANS (Netherlands), speaking on behalf of the Twelve States members of the European Community, said it was disappointing to hear that the Board of Auditors would be unlikely to be in a position to give an unqualified opinion on UNDP in the next few years. He noted that his question in regard to the proliferation of trust funds had not been answered. It would also be useful to hear some reasons why it was not possible to provide a time-frame for compliance with the request for a timetable for the elimination of qualified audit opinions for UNDP.

33. Mr. INOMATA (Japan) said that it was not clear whether the action on the part of a staff member referred to by the Assistant Administrator in his statement to the Governing Council was action contrary to the Financial Regulations and Rules or action advising him of instances in which a staff member had been instructed to take such action. Such advice should surely enhance the career of a staff member.

34. Mr. GOMEZ (Associate Administrator, United Nations Development Programme), replying to the Indian representative, said that a systems requirement definition for the new budget system for the Office of Project Services had just been completed. A set of possible technical solutions from among which to choose was currently being evaluated, bearing in mind two other related activities which were also under way: first, the Integrated Management Information System, which was a mammoth, highly complex and technically very sound information system being developed by the United Nations, and, second, an exercise that was being conducted to take full advantage of the United Nations system in the Programme's own information system. It was in the interest of all Member States, which had to pay the cost, that an effort should be made to capture data only once, and as close to the source as possible, and have it treated in such a way as to permit the data to move from one system to the other. He believed that the enhanced system would be available to the Office of Project Services in the second half of 1992.

35. In response to the question raised by the representative of the United States, he said that, in view of the debate in the Budget and Finance Committee of the UNDP Governing Council, as supplemented by the detailed comments of ACABQ on the UNDP budget submission, he hoped that the new appropriation mechanism which had been put forward, reviewed and approved would permit the elimination of the "grey area" between administrative and programme expenditures. When the Board of Auditors next reported on UNDP, it would be possible to see whether his hope was justified or whether further refinements were required. Technically speaking, there was currently a sharp distinction between the two types of expenditure.

36. In response to the questions raised by the representative of the Netherlands, he said that an ongoing effort was being made to reduce the number of trust funds. Given the nature of UNDP, however, the proliferation of such funds was almost unavoidable. He noted that any trust fund accepted by UNDP must cover its own operating costs. Such funds were considered and managed as extrabudgetary resources and were very clearly distinguished from the main voluntary contributions fund. Their operating costs were kept constantly under review to ensure that they were being properly assessed. At the same time, UNDP was continuously under pressure from Member States, developed and developing countries alike, to accept trust funds. The word "proliferation" implied a static situation, but, in fact, UNDP kept reviewing trust funds and closing them down, while at the same time opening new ones. It was an area in which guidance from the Governing Council was constantly needed.

(Mr. Gomez)

37. The question of a timetable for the elimination of qualified audit opinions was much more complex. When the External Auditor had presented the interim report informally, before ACABQ had reviewed it, a member State had asked him a similar question. His opinion at the time was that the audit observation in question would not be eliminated in the near future. The Auditor might wish to comment on that point for himself.

38. His own perception of the issue was that the decision by the General Assembly to proceed with the development of common accounting principles and standards (resolution 45/235, para. 5) was a logical first step in dealing with the problem. UNDP had supported that proposal and was glad that the work was progressing. The question of the respective audit requirements of the individual executing agencies of UNDP in relation to new common standards was, however, far from simple. It had to do with the role of the external auditors of the individual agencies and that of their own governing bodies, bearing in mind that the audited accounts received by UNDP were those submitted for consideration by the governing bodies of those agencies. Electronic data processing support was also needed for the accounting systems currently being operated in 160 currencies at 115 field offices by 33 executing agencies. The receipt of audited accounts on time depended not only on the acceptance of general accounting standards or agreement on the roles of external auditors and governing bodies, but also on the availability of data, on the transmission of the records of expenditure in the field by agencies using UNDP money to the headquarters of those agencies for accounting and auditing. The enormous effort being made by the United Nations, which was in its own right an important executing agency of UNDP, and also by UNDP, would help other agencies to enhance their own systems rapidly. The electronic data processing system was now in its fourth generation, and the United Nations was engaged in seeking disposable packages. He believed that, with luck, and provided the effort was supported by Member States, the new system would be effective after two or three more programming cycles in the different agencies involved.

39. With regard to the question put by the representative of Japan, he said that the statement made by the Assistant Administrator in the Governing Council should have made it clear that whistle blowing would not have a negative impact on the career of a staff member.

40. Mr. KITATANI (Deputy Executive Director, United Nations Population Fund) said that the United Nations Population Fund (UNFPA) appreciated the efforts of the Board of Auditors to identify operations which required improvement and would try to follow its recommendations. With regard to the observations made in the Board's interim report (A/46/5/Add.7), he said that, while the UNFPA administration understood the concern about the level of cash balances held by executing agencies in respect of its projects, it wished to draw attention to the limited nature of the problem. It did not affect United Nations executing agencies or UNFPA itself, which together accounted for some 69 per cent of programme resources in 1990. In fact, at the end of 1989, UNFPA owed approximately $6 million net to United Nations executing agencies.

(Mr. Kitatani)

41. As far as Governments and non-governmental organizations were concerned, UNFPA was strengthening its administrative controls. In the case of Government-executed projects, where there was no problem with the availability of Government funds, the method of funding was being changed to one in which UNFPA reimbursed Governments for expenditures incurred rather than advancing funds to cover project costs. In the case of projects executed by non-governmental organizations, UNFPA was entering into agreements which set out in detail the methods of funding and reimbursement of support costs.

42. With regard to the comments by the representative of China, UNFPA recognized that financial accountability and responsibility could not be overemphasized. The importance of maintaining financial discipline in field offices had been stressed at recent meetings of UNFPA representatives. The Fund had made an objective assessment of how its representatives were operating under their decentralized authority and was ensuring that its guidelines on financial accountability were working as intended. They would be amended as and when necessary.

43. With regard to pre-project activities, UNFPA agreed that the circumstances under which preparatory assistance might be approved should be more clearly defined and that a clearer distinction between "umbrella" projects and "preparatory assistance" was desirable. Nevertheless, the use of both concepts attested to the flexibility and speed with which UNFPA tried to meet demands.

44. With regard to the question raised by the representative of the United States about support costs paid to non-governmental organizations, UNFPA normally reimbursed support costs averaging between 13 and 20 per cent of the costs of the underlying project. The support costs amounting to 140 per cent mentioned in the Board's report resulted from the costs in question being recorded in a different year from the direct project expenditures to which they related and payments for two years being aggregated, a fact that might not have been apparent to the auditors at the time. As requested, UNFPA would provide a list of all non-governmental organizations executing UNFPA projects, with a breakdown of the amounts reimbursed for support and other administrative costs over the past three years. At its thirty-eighth session, the Governing Council had decided on new arrangements to succeed the current agency support cost system as from 1 January 1992. Accordingly, UNFPA was updating its internal policies and procedures relating to non-governmental organizations and was planning to issue comprehensive internal guidelines soon to ensure that their claims for support costs were treated consistently.

45. As requested by the representative of the Netherlands, UNFPA would also provide a timetable and information on the improvement in the situation regarding the timely submission of financial statements by executing agencies.

(Mr. Kitatani)

46. In response to the observations made by other delegations, he said that UNFPA was doing everything it could to resolve the problems identified by the Board of Auditors concerning the strengthening of financial management at its headquarters and the timely receipt of financial statements from executing agencies.

47. UNFPA recognized that the work of the Board of Auditors was an essential element in its activities and that implementation of its recommendations would lead to better financial management and utilization of resources.

48. Mr. MICHALSKI (United States of America) welcomed the assurance that the problem of the financial balances held by Governments and non-governmental organizations executing UNFPA projects was not as serious as the report of the Board of Auditors implied, but wondered if there was a figure available for the balances owed at the end of 1990 comparable to the figure of $6 million owed by UNFPA at the end of 1989. In addition, he would be interested to hear the reaction of the Board of Auditors concerning the extent of the problem. He also welcomed the explanation for the figure of 140 per cent for support costs which had appeared in the report and thanked UNFPA for agreeing to provide detailed information on non-governmental organizations used as executing agencies. With regard to the rates of support costs paid to non-governmental organizations, some doubt had been raised as to whether the new arrangements to be introduced as from 1 January 1992 would cover what was a very complicated matter. He wondered if UNFPA or the Board of Auditors could clarify the situation.

49. Mr. KITATANI (Deputy Executive Director, United Nations Population Fund) said that he would provide the information requested about the balances owing between UNFPA and Government and non-governmental organization executing agencies at the end of 1990. As for the support costs of non-governmental organization executing agencies, the Board of Auditors had recommended that the Governing Council of UNFPA should decide on the rates of costs. Negotiations with non-governmental organizations were currently being conducted within the range of 13 to 20 per cent of underlying project costs and that seemed to be satisfactory, but UNFPA was prepared to discuss the matter further.

50. Mr. YAMAMOTO (Comptroller, United Nations Children's Fund), replying to a comment made by the representative of the Netherlands, agreed that the greatest caution was needed when reallocating UNICEF funds from slow-moving to fast-moving projects. The importance of that point would be reiterated in the forthcoming annual country-by-country review exercise and in the mid-term review process for individual country programmes. It would also be brought to the attention of the current meeting of Regional Directors of UNICEF in New York.

(Mr. Yamamoto)

51. Referring to the concern expressed by the representative of the United States and by the Board of Auditors about one organization using funds to furnish an office for an implementing partner, he said that UNICEF was not using its financial resources in that way and discouraged the use of programme funds in construction projects on principle. It had instructed field offices that such projects should be undertaken only exceptionally, when necessary, and when the success of programmes would otherwise be jeopardized. Any exception would have to be approved by senior management and none had yet been authorized.

52. Ms. MILLS (Deputy Controller) expressed appreciation for the valuable comments and observations made by the Board of Auditors, whose recommendations were an essential contribution to the Secretariat's efforts to increase the efficiency and effectiveness of United Nations operations.

53. Turning to specific questions raised during the debate, the Secretariat fully concurred with the Board's recommendations on the need for comprehensive performance reporting and agreed that outputs funded totally or partially from extrabudgetary resources should be included in the programme performance report. It had already started to address those issues, in particular through the measures recommended in the proposed programme budget for the biennium 1992-1993 (A/46/6/Rev.1) and in the report on the methodology for monitoring and reporting programme performance (A/46/173), although those documents did not address all of the predicaments involved. The Secretariat trusted that the detailed consideration of the subject which was scheduled to take place under agenda items 107 and 108 would provide further insight into the problems involved and the steps needed to solve them. The seminar to be held prior to the thirty-second session of the Committee for Programme and Coordination would provide another opportunity for an in-depth discussion of the matter.

54. Although a number of delegations had commented on the report of the Secretary-General on the subject of unliquidated obligations (A/46/404), they had not addressed any specific questions to the Secretariat. Since the views of the Advisory Committee on that report were not yet available, no comment from the Secretariat seemed to be necessary.

55. As to whether the International Trade Centre (ITC) should comply with United Nations regulations, rules and directives, the Secretariat agreed that the question should be resolved by the end of the current biennium. A working group was reviewing the matter in detail and would meet with representatives of ITC during November. The Secretariat understood that ITC had been very concerned to incorporate amendments into its bilateral agreements with donor countries to bring them into conformity with the Financial Regulations and Rules of the United Nations; it had approached the donors involved but had not been able to resolve the problems in every case.

56. Although a number of questions had been raised about UNITAR, the Secretariat would prefer to comment later in the session when a separate comprehensive report on that institution was submitted to the General Assembly.

(Ms. Mills)

57. Some delegations had commented on the fact that three reports specifically requested of the Secretary-General in paragraph 13 of General Assembly resolution 45/235 had not been produced. Each of those reports was directly related to the matter of internal control, which the Secretariat took very seriously. Since 1987, when the Committee had considered a report submitted by the Secretary-General on internal control procedures (A/42/437), the Secretariat had intensified its efforts to strengthen internal controls in areas where the resources of the Organization were at stake. Once the Integrated Management Information System was implemented, many of the potential weaknesses inherent in the current manual systems would be eliminated. The difficulty was, however, that, in producing the requested reports on internal control systems, the Secretariat would have to give an explanation of the operation of the current systems and that would, in effect, provide a textbook for those who might wish to avoid or subvert the controls. The Secretariat had therefore concluded that to produce such reports would run counter to the basic intent of the Committee and of the General Assembly.

58. Referring to the comments by a number of delegations on the development of accounting standards, she said that, since an interim study of the subject by the Panel of External Auditors was scheduled to be reviewed under agenda item 113, she did not wish to comment on its substance. The Committee would wish to know, however, that the matter was being addressed in an inter-agency context. The Consultative Committee on Administrative Questions (Financial and Budgetary Questions) (CCAQ (FB)) had met with a representative of the Panel of External Auditors to discuss its interim study and had concluded that it would be worthwhile for the organizations to pursue the subject jointly. It had therefore decided to convene a working party, in December 1991, on the subject of common accounting standards to be applied in the United Nations system, and a preparatory meeting was currently being held in Geneva. The working party would review the progress which had already been achieved and study those aspects on which additional work was required. Its results would be reviewed by CCAQ (FB) in March 1992 and the Secretariat confidently expected that it would be possible to report to the Committee at the forty-seventh session.

59. Mr. MICHALSKI (United States of America) said that the UNITAR building had been valued at $US 12 million in April 1990, but that the current market value might well be lower, and could even be less than the amount owed by UNITAR to the United Nations. With regard to internal controls, his delegation took note of the Secretariat's concern that the issuance of a manual might, in fact, merely subvert existing procedures. Lastly, concerning the confidential reporting by staff members of any inappropriate use of United Nations resources, his delegation simply wished to know whether the Secretariat was satisfied with existing procedures or whether further measures were required.

60. Mr. FORAN (Acting Under-Secretary-General for Administration and Management) said that the market value of the UNITAR property was, indeed, less than the amount owed to the United Nations. Further details would be provided under the appropriate agenda item.

61. Ms. MILLS (Deputy Controller) said that it had been decided not to issue a report on the confidential reporting of misuse of resources since the matter was linked to the subject of internal control.

62. Mr. SPAANS (Netherlands), referring to the report of the Secretary-General on the question of unliquidated obligations (A/46/404), said that the European Community delegations had called for the drafting of regulations relating to year-end and multi-year obligations. With regard to confidential reporting, it would be sufficient to provide an indication of whether progress had been made. Lastly, he wondered whether sufficient progress could be made on the introduction of accounting standards for application throughout the United Nations system for a draft to be available by the forty-seventh session of the General Assembly.

63. Mr. INOMATA (Japan) noted with regret that the Committee had only just been told that the reports on confidential reporting, the payment of allowances and the control of non-expendable property would not be issued at the current session. His delegation had also expected the issuance at the forty-sixth session of reports on measures to enhance the accountability and budgetary discipline of United Nations organizations and programmes.

64. Mr. MICHALSKI (United States of America) said that while his delegation appreciated the views expressed by the Deputy Controller, it shared the concern of the delegation of Japan regarding the non-issuance of the report on confidential reporting. Perhaps more publicity could be given to existing procedures so that staff members would know what to do should they encounter instances of misuse.

65. Mr. ZAVELBERG (Chairman of the Board of Auditors) said that the Board noted the comments by members of the Committee in favour of interim reports and the focus on management issues. The Committee would appreciate that the aim of the Board's reporting on such issues was not to involve either the Committee or the Board in micromanagement of the organizations concerned. It was, rather, a reflection of the generally accepted view that the role of the auditor was not only to verify financial statements, but also to provide information as to whether resources were used economically, efficiently and effectively. Such information made financial data meaningful and established the background needed for decision-making.

66. With regard to the introduction of a new format for reporting on the implementation of previous recommendations, he emphasized that follow-up was particularly important with respect to management issues since remedial measures needed to be in place for some time before a conclusion could be drawn as to whether they were effective.

(Mr. Zavelberg)

67. Interim reports had not been prepared for UNICEF or the United Nations since the Board was still engaged in follow-up activities further to its identification of financial management weaknesses. The Board would present its conclusions at the end of the biennium. In accordance with General Assembly resolution 45/235, the Board intended to issue interim reports where there were matters that needed to be brought to the attention of the General Assembly and the respective governing bodies.

68. On the issue of audit findings relating to UNDP executing agencies, he said that the Board wished to draw the attention of the Committee to the lack of action by the parties concerned. The appropriate decision-making organs should send a clear signal. The harmonization of accounting standards and the improvement of computer-based accounting systems should make it easier to rectify the situation. The Committee would note that the Panel of External Auditors could act only within the terms of reference established by the organizations concerned, which themselves bore primary responsibility.

69. With regard to the issuance of letters of credence by the Board of Auditors, it was the Board's practice to inform an organization when it intended to conduct an audit, giving an indication of the time-frame. As for access to confidential information, the Financial Regulations established that the Board of Auditors should have free access to all records that were necessary for the performance of the audit, including confidential information, and the Board was empowered to draw the attention of the General Assembly to any denial of such information. In that connection, the Board noted that UNRWA would now make available certain information that had been withheld on the grounds of confidentiality. With respect to the levels of cash balances held by the UNFPA executing agencies, the Board noted that the maintenance of relatively high levels of operational funds was linked to the trend towards closer cooperation with Governments.

70. A thorough discharge of the audit function was particularly important in ensuring that the United Nations system was run economically and efficiently, with proper accountability The Board of Auditors intended to ensure that the contributions paid by Member States gave proper value for money.

The meeting rose at 12.55 p.m.